

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 91-5-E - ORDER NO. 91-423✓

MAY 31, 1991

IN RE: Adjustment of Base Rates for Fuel) ORDER APPROVING
Costs for Duke Power Company) BASE RATES FOR
) FUEL COSTS

On May 22, 1991, the Public Service Commission of South Carolina (the Commission) held a public hearing on the issue of the recovery of the costs of fuel used in electric generation by Duke Power Company (the Company) to provide service to its retail electric customers. The procedure followed by the Commission is set forth in S.C. Code Ann., §58-27-865 (Cum. Supp. 1989).

At the public hearing, William F. Austin, Esquire, and Karol G. Page, Esquire, represented the Company; Carl F. McIntosh, Esquire, represented the Intervenor, the Consumer Advocate of South Carolina; and Marsha A. Ward, General Counsel, represented the Commission Staff. The record before the Commission consists of the testimony of two witnesses on behalf of the Company, two witnesses on behalf of the Commission Staff, and three hearing exhibits.

Based upon the evidence of the record, the Commission makes the following findings of fact and conclusions of law:

1. The record of this proceeding indicates that for the period from October 1990 through March 1991 the Company's actual

total fuel costs for its electric operations amounted to \$302,569,927.

2. Staff reviewed and compiled a percentage generation mix statistic sheet for the Company's fossil, nuclear and hydraulic plants for October 1990 through March 1991. The fossil generation ranged from a high of 44% in October to a low of 24% in March. The nuclear generation ranged from a high of 72% in February and March to a low of 52% in October. The percentage of generation by hydro ranged from 2% to 4% for this period.

3. During the October 1990 through March 1991 period, coal suppliers delivered 5,390,095 tons of coal at a weighted average received cost per ton of \$44.92. The Commission Staff's audit of the Company's actual fuel procurement activities demonstrated that the average monthly received cost of coal varied from \$43.54 per ton in January to \$49.00 per ton in March.

4. The Commission Staff conducted an extensive review and audit of the Company's fuel purchasing practices and procedures for the subject period. The Staff's accounting witness, I. Curtis Price, testified that the Company's fuel costs were supported by the Company's books and records.

5. The Commission recognizes that the approval of the currently effective methodology for recognition of the Company's fuel costs requires the use of anticipated or projected costs of fuel. The Commission further recognizes the fact inherent in the utilization of a projected average fuel cost for the establishment of the fuel component in the Company's base rates that variations

between the actual costs of fuel and projected costs of fuel would occur during the period and would likely exist at the conclusion of the period. Section 58-27-865, supra, establishes a procedure whereby the difference between the base rate fuel charges and the actual fuel costs would be accounted for by booking through deferred fuel expenses with a corresponding debit or credit.

6. The record of this proceeding indicates that the comparison of the Company's fuel revenues and expenses for the period October 1990 through May 1991 produces an over-recovery of \$12,857,952 through May 1991.

7. Company witness, W. R. Stimart - Vice President of Rates and Regulatory Affairs, proposed that the Commission approve the current fuel component in base rates of 1.1000 cents/KWH, effective June 1, 1991.

8. The Company's projected average fuel expense for the June 1991 through November 1991 period is 1.2718 cents per KWH. However, when adjusted by the cumulative variance of fuel cost recovery, the adjusted fuel costs are 1.1355 cents per KWH. This would be required to produce virtually no cumulative variance between the average projected fuel cost and actual fuel costs at the conclusion of the six months period ending November 30, 1991.

9. The Commission's Staff witness Randy H. Erskine, Utilities Engineer Associate, demonstrated that the projected fuel cost for the six-month period ending November 30, 1991, and the projected cumulative over-recovery of \$12,857,952 would be recovered by the establishment of a fuel component of 1.1349 cents

per KWH in the base rates. The Commission Staff recommended that the fuel component in the base rates remain at 1.1000 cents per KWH. This recommendation is in keeping with the spirit of the statute to allow utilities to recover prudently incurred fuel cost "in a manner that tends to insure public confidence and minimize abrupt changes in charges to consumers." This recommendation will also tend to limit fluctuations in the fuel factor over the long term.

10. Based on the testimony of Staff witness Erskine the Commission finds that the nuclear outages of the Company during the period in question were necessary and concludes that the outages did not cause Duke's customers to pay unreasonable fuel costs.

11. The Commission has carefully reviewed the proposals advanced by the Company and the Commission Staff in regard to an adjustment to the fuel component in the Company's base rates. Based upon our full review of the record in this proceeding, the Commission is of the opinion, and so finds, that the recommendations as proposed by the Company and the Staff are fair and reasonable and should herein be approved, effective commencing with the Company's June 1991 billing cycles. Based upon the projected fuel costs and energy sales through the next six months, the operation of a fuel component of 1.1000 cents per KWH will produce a cumulative under-recovery of fuel cost in an amount of \$3,293,695 for the period ending November 1991. The Commission considers that the adoption of this fuel cost level herein will serve to encourage the Company to continue its efforts in the

exercise of reasonable prudence and efficiency in its fuel purchasing practices.

IT IS THEREFORE ORDERED:

1. That a fuel component of 1.1000 cents per KWH be, and hereby is, approved for Duke Power Company, effective on bills rendered on and after June 1, 1990.

2. That Duke Power Company file with the Commission for approval, within fifteen (15) days of the date of this Order, rate schedules designed to incorporate our findings herein and an Adjustment for Fuel Costs, as demonstrated in Appendix A, attached hereto and incorporated by reference.

3. That the Company comply with the notice requirements set forth in S.C. Code Ann., §58-27-865 (A) (Cum. Supp. 1990).

4. That the Company continue to file the monthly reports previously required in this Docket.

5. That the Company account monthly to the Commission for the differences between the recovery of fuel costs through base rates and the actual fuel costs experienced by booking the difference to unbilled revenues with a corresponding deferred debit or credit.

6. That the Company submit monthly reports to the Commission of fuel cost and scheduled and unscheduled outages of generating units with a capacity of 100 MW or greater.

7. That this Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:


Chairman

ATTEST:


Deputy Executive Director

(SEAL)

DUKE POWER COMPANY
ADJUSTMENT FOR FUEL COSTS

APPLICABILITY

This adjustment is applicable to and is a part of the Utility's South Carolina retail electric rate schedules.

The Public Service Commission has determined that the costs of Fuel in an amount to the nearest one ten-thousandth of a cent, as determined by the following formula, will be included in the base rates to the extent determined reasonable and proper by the Commission for the succeeding six months or shorter period:

$$F = \frac{E}{S} + \frac{G}{S_1}$$

Where:

F = Fuel cost per kilowatt-hour included in base rate, rounded to the nearest one ten-thousandth of a cent.

E = Total Projected system Fuel costs:

- (A) Fuel consumed in the Utility's own plants and the Utility's share of fuel consumed in jointly owned or leased plants. The cost of fossil fuel shall include no items other than those listed in Account 151 of the Commission's Uniform System of Accounts for Public Utilities and Licensees. The cost of nuclear fuel shall be that as shown in Account 518 excluding rental payments on leased nuclear fuel and except that, if Account 518 also contains any expense for fossil fuel which has already been included in the cost of fossil fuel, it shall be deducted from this account.

Plus

- (B) Purchased power fuel costs such as those incurred in unit power and Limited Term power purchases where the fuel costs associated with energy purchased are identifiable and are identified in the billing statement.

Plus

- (C) Interchange power fuel costs such as Short Term, Economy and other where the energy is purchased on economic dispatch basis.

Energy receipts that do not involve money payments such as Diversity energy and payback of storage energy are not defined as purchased or interchange power relative to this fuel calculation.

Minus

- (D) The cost of fuel recovered through intersystem sales including the fuel costs related to economy energy sales and other energy sold on an economic dispatch basis.

Energy deliveries that do not involve billing transactions such as Diversity energy and payback of storage are not defined as sales relative to this fuel calculation.

S = Projected system kilowatt-hour sales excluding any intersystem sales.

G = Cumulative difference between jurisdictional fuel revenues billed and fuel expenses at the end of the month preceding the projected period utilized in E and S.

S₁ = Projected jurisdictional kilowatt-hour sales for the period covered by the fuel costs included in E.

The appropriate revenue-related tax factor is to be included in these calculations.

THE FUEL COST F AS DETERMINED BY SCPSC ORDER NO. 91-423 FOR THE PERIOD JUNE 1991 THROUGH NOVEMBER 1991 IS 1.1000 CENTS PER KWH.